CIC Crown Investments Corporation of Saskatchewan

Quarter Two Financial Report

June 30, 2010

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding corporation for its commercial Crown corporations. CIC has invested equity in its subsidiary corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2010 second quarter financial results should be read in conjunction with the December 31, 2009 audited consolidated and non-consolidated financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the commercial Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

These statements show CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations:

  Information Services Corporation of Saskatchewan (ISC)
  SaskEnergy Incorporated (SaskEnergy)
  Saskatchewan Development Fund Corporation (SDFC)
  Saskatchewan Gaming Corporation (SGC)
  Saskatchewan Government Growth Fund Management Corporation (SGGF MC)[1]
  Saskatchewan Government Insurance (SGI)
  Saskatchewan Opportunities Corporation (SOCO)
  Saskatchewan Power Corporation (SaskPower)
  Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)
  Saskatchewan Transportation Company (STC)
  Saskatchewan Water Corporation (SaskWater)

- CIC's wholly-owned share capital subsidiary CIC Asset Management Inc. (CIC AMI)[2];
- CIC's wholly-owned share capital subsidiary CIC Economic Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary CIC Apex Equity Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary First Nations and Métis Fund Inc.;
- Costs incurred by its wholly-owned non-profit subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest earned on cash and short-term investment balances.

[1] SGGF MC was dissolved effective March 31, 2009.

[2] Investment Saskatchewan Inc. was de-designated as a subsidiary Crown corporation pursuant to Order-in-Council 653/2009 effective September 10, 2009 and is continued under the authority of *The Business Corporations Act (Saskatchewan)* as CIC Asset Management Inc. with CIC, as sole shareholder.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Non-Consolidated Financial Statements

CIC's non-consolidated financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. The non-consolidated financial statements have not been and are not intended to be prepared in accordance with GAAP. These financial statements are intended to isolate the Corporation's cash-flow and capital and operating support for certain subsidiary corporations. These financial statements include:

- Dividends from subsidiary Crown corporations (SaskTel, SaskEnergy, SGI, SGC, SOCO, and ISC);
- Dividends from share capital subsidiary CIC AMI;
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's interest revenue on cash and short-term investment balances and operating costs.

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

Throughout the quarterly report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue" or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. Given these uncertainties, assumptions contained in forward-looking statements may or may not occur.

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships, held through CIC's wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited interim consolidated financial statements and supporting notes for the six months ended June 30, 2010. These interim financial statements have been prepared in accordance with CICA Handbook Section 1751.

The unaudited interim consolidated financial statements do not contain all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's December 31, 2009 audited consolidated financial statements.

Management's Discussion and Analysis (continued)

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. The following table lists the subsidiaries and investments, including the respective business line, which CIC consolidates in its financial statements:

Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Saskatchewan Gaming Corporation (SGC)	Entertainment	wholly-owned subsidiary
CIC Asset Management Inc. (CIC AMI)[1]	Investments	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)[2]	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Utilities Insurance Entertainment Investment and Economic Growth Transportation

[1] Investment Saskatchewan Inc. was de-designated as a subsidiary Crown corporation pursuant to Order-in-Council 653/2009 effective September 10, 2009 and is continued under the authority of *The Business Corporations Act (Saskatchewan)* as CIC Asset Management Inc. with CIC, as sole shareholder.

[2] SGGF MC was dissolved effective March 31, 2009.

Crown Corporation Earnings (Losses) **For the six months ended (millions of dollars)** (unaudited)	**June 30 2010**	June 30 2009
SaskPower	**$ 60.2**	$ (0.1)
SaskTel	**83.2**	75.7
SaskEnergy	**38.3**	29.7
SGI	**9.7**	30.9
CIC AMI	**2.4**	(22.6)
SGC	**10.6**	13.2
ISC	**8.4**	6.0
SaskWater	**0.1**	0.1
STC	**(0.1)**	(0.1)
SOCO	**3.5**	2.5
CIC (non-consolidated) and Other	**(18.2)**	(18.2)
Total	**$ 198.1**	$ 117.1

Management's Discussion and Analysis (continued)

The Corporation's consolidated earnings for the six months ended June 30, 2010 were $198.1 million (2009 - $117.1 million) which was an $81.0 million increase over the same period in 2009. Increased earnings at SaskPower, SaskTel, SaskEnergy, CIC AMI, ISC, and SOCO, were only partially offset by lower earnings at SGI and SGC.

Revenue

Revenue for the first six months of 2010 was $2,251.9 million (2009 - $2,392.2 million), a decrease of $140.3 million compared to the same period in 2009.

Revenue from the sale of products and services for the period was $2,155.1 million (2009 - $2,344.6 million). The $189.5 million decrease was primarily related to the following:

1. SaskEnergy sales of products and services decreased by $187.5 million due to the combined impacts of lower gas marketing sales, a lower commodity rate for natural gas sales to distribution utility customers and warmer than normal weather in Saskatchewan. The commodity rate was $5.21 per Gigajoule (GJ) for the first six months of 2010 versus $7.68 per GJ during the same period in 2009. Also, the weather in Saskatchewan was 2.0 per cent warmer than normal in the first six months of 2010 compared to 17.0 per cent colder than normal during the same period in 2009;
2. CIC AMI sales decreased $59.6 million due to discontinuing consolidation of Big Sky Farms Inc. (Big Sky) operating results effective November 10, 2009;
3. SGC sales decreased $5.5 million due to the negative impact of a 2010 employee strike on table gaming, food and beverage revenues;
4. SaskPower sales of products and services increased $45.3 million due primarily to an 8.5% system-wide average rate increase that became effective on June 1, 2009, as well as an increase of 432.7 gigawatt hours (GWh) in sales volumes to Saskatchewan customers compared to the same period in 2009; and
5. SGI sales increased $20.4 million due mainly to increased premium growth in Saskatchewan and all out of province jurisdictions.

Investment earnings for the first six months of 2010 were $41.1 million (2009 - $20.6 million) or $20.5 million higher than the same period in 2009. CIC AMI investment earnings increased $8.8 million due primarily to higher earnings on its non-consolidated investment and loan portfolio. CIC Apex Equity Holdco Ltd. investment earnings increased by $7.0 million due to higher realized and unrealized gains on its investment portfolio. SGI investment earnings increased $4.4 million due to higher gains on the sale of equity investments compared to the same period in 2009.

Other revenue for the first six months of 2010 was $55.7 million (2009 - $26.9 million) or a $28.8 million increase over the same period in 2009. The increase is primarily related to the recognition of an incremental $33.7 million in deferred funding received from the GRF for qualifying expenditures on carbon capture and storage demonstration projects. An equivalent offsetting amount has been included in operating costs.

Expenses

Expenses for the first six months of 2010 were $2,056.0 million (2009 - $2,269.1 million). The $213.1 million decrease in expenses is primarily due to:

1. A $188.5 million decrease in expenses at SaskEnergy mainly related to a lower average cost of natural gas which fell to an average of $5.04 per GJ during the first six months of 2010 versus $7.27 per GJ during the same period in 2009. Operating expenses were also favourably impacted by $12.1 million in lower unrealized fair market value losses on natural gas management activities compared to the same period in 2009;

Management's Discussion and Analysis (continued)

Expenses (continued)

2. A $78.9 million decrease in expenses at CIC AMI due primarily to discontinuing consolidation of Big Sky operating results effective November 10, 2009;
3. A decrease of $8.8 million in expenses at SaskTel due to reduced restructuring, depreciation and Expansion division expenses;
4. SGC expenses decreased by $3.0 million due to lower operating costs incurred as a result of the 2010 employee strike;
5. A decrease of $4.1 million in CIC (non-consolidated) expenses due to the completion of two major projects in 2009;
6. SGI expenses increased by $48.2 million due to higher claims incurred in Saskatchewan and Manitoba related to several severe storms and floods in those jurisdictions in 2010;
7. A $25.6 million increase in expenses at SaskPower primarily related to: (a) an incremental $33.7 million in expenditures for the Boundary Dam carbon capture and demonstration project (an equivalent offsetting amount has been included in other revenue); (b) increased salaries and wages as a result of general economic and merit increases; (c) a $7.9 million increase in unrealized losses on natural gas management activities; and (d) a $10.6 million increase in depreciation as a result of its on-going capital expenditure program; partially offset by (e) reduced fuel and purchased power costs related to lower realized gas management activity expenses; and (f) a $2.7 million reduction in interest expenses due to improved sinking fund earnings and market values.

Capital Spending

In the first six months of 2010, CIC spent $200.6 million (2009 - $283.1 million) on investment purchases. The $82.5 million period over period reduction is mainly related to lower funds available to invest at CIC (non-consolidated) after a $755.0 million dividend to the GRF paid in December, 2009 and a $120.0 million equity advance repayment to the GRF in the second quarter of 2010.

2010 year to date capital expenditures of $399.7 million are materially consistent with the $390.9 million incurred during the same period in 2009.

Debt at June 30, 2010 was $4,345.3 million (December 31, 2009 - $4,206.2 million), an increase of $139.1 million. SaskTel debt increased $63.5 million and SaskPower debt increased by $70.8 million to fund a portion of increased operating and capital expenditures at those subsidiaries.

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt
as at June 30, 2010

Moody's Investor Service	Aa1
Standard & Poor's	AA+
Dominion Bond Rating Service	AA

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)		For the six months ended June 30 2010		June 30 2009
Cash provided by operating activities	$	**396.1**	$	418.1
Cash used in investing activities		**(154.3)**		(476.3)
Dividends paid		**-**		(150.0)
Repayment of equity advances		**(120.0)**		-
Debt proceeds received		**18.4**		50.7
Debt repaid		**(4.7)**		(17.6)
Other financing activities		**112.4**		(1.2)
Net change in cash	$	**247.9**	$	(176.3)

Operating, Investing and Financing Activities

Cash provided by operating activities for the six months ended June 30, 2010 was $396.1 million (2009 - $418.1 million). Although net earnings for the quarter increased by $81.0 million compared to the same period in 2009, this was partially offset by a $67.9 million decrease in items not affecting cash from operations resulting in an overall cash impact from earnings which was $13.1 million higher than the same period in 2009. Cash from operations was also impacted by a $37.2 million negative change in non-cash working capital balances and a $2.1 million increase in operating cash from discontinued operations.

Cash used in investing activities for the six months ended June 30, 2010 was $154.3 million (2009 - $476.3 million) or a $322.0 million decrease from the same period in 2009. Investment purchases decreased by $82.5 million mainly related to lower funds available to invest at CIC (non-consolidated) after a $755.0 million dividend to the GRF paid in December, 2009 and a $120.0 million equity advance repayment to the GRF in the second quarter of 2010. Proceeds from sales and collections of investments increased by $245.4 million with proceeds realized by CIC (non-consolidated) increasing by $196.8 million due to the sale of short-term investments and reinvesting those funds in cash equivalents with maturities less than 90 days.

Cash provided by financing activities for the six months ended June 30, 2010 was $6.1 million or $124.2 million higher than the $118.1 million cash outflow for the same period in 2009. The increase was due to: (1) a $150.0 million decrease in dividends to the GRF; (2) a $32.3 million decrease in debt proceeds; (3) a $120.0 million increase in repayment of equity advances; (4) a $12.9 million decrease in debt repayments; (5) a $6.2 million net outflow from other liabilities and restricted cash and cash equivalents; and (6) a $119.8 million increase in notes payable.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

Management's Discussion and Analysis (continued)

Outlook

The Corporation's outlook related to net earnings is highly dependent upon the performance and management of the subsidiary corporations. Earnings expectations are also subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. Based on the year-to-date performance of the subsidiary corporations and the projected Crown corporation performance for the remainder of the year, the Corporation anticipates solid earnings in 2010. The Corporation forecasts increased capital expenditures for electrical operations at SaskPower, on-going competitive pressures within the telecommunications and property and casualty insurance industries, and continued volatility in financial markets which may further impact natural gas management activities and the valuation of pensions and investments.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook confirming the direction which requires Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the Public Sector Accounting Handbook, whichever is considered the most appropriate basis of accounting.

Five of CIC's subsidiary Crown corporations are GBEs and six are OGOs. CIC believes that IFRS is the most appropriate basis of accounting for all of its subsidiaries and therefore the Corporation and its subsidiaries are proceeding with the adoption of IFRS.

CIC and its subsidiaries, are finalizing an IFRS conversion project. Selection of accounting policies has been finalized and CIC is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes. The aspects of IFRS that have the potential to most significantly impact CIC are accounting for property, plant and equipment, employee future benefits, revenue recognition, impairment testing, and financial statement disclosures.

The IASB plans to make revisions to or replace existing IFRS standards that may impact CIC. Some of the anticipated changes may be in effect prior to the CIC's transition date; and therefore, IFRS may differ at transition date from its current form.

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Financial Position

(unaudited)

(thousands of dollars)

	June 30 2010	December 31 2009
ASSETS		
Current		
Cash and cash equivalents	$ 591,176	$ 345,853
Short-term investments	285,728	501,054
Restricted cash and cash equivalents (Note 3)	112,799	85,011
Accounts receivable	459,466	554,455
Derivative financial assets (Note 4)	77,772	51,827
Inventories (Note 5)	440,839	413,845
Prepaid expenses	158,198	123,290
Assets from discontinued operations (Note 6)	7,875	8,822
	2,133,853	2,084,157
Restricted cash and cash equivalents (Note 3)	95,614	166,693
Investments	1,174,400	1,157,067
Property, plant, and equipment	6,589,243	6,424,675
Intangible assets	192,718	194,552
Other assets	189,312	182,441
Long-term assets from discontinued operations (Note 6)	38,597	38,932
	$ 10,413,737	$ 10,248,517
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ 9,586	$ 12,606
Accounts payable and accrued liabilities	509,466	581,952
Derivative financial liabilities (Note 4)	97,584	66,664
Notes payable	549,856	423,725
Deferred revenue (Note 3(a))	427,349	415,581
Liabilities from discontinued operations (Note 6)	1,898	2,674
Long-term debt due within one year (Note 4)	179,884	180,540
	1,775,623	1,683,742
Long-term debt (Note 4)	3,615,592	3,601,892
Other liabilities (Note 3(a))	696,657	705,404
Long-term liabilities from discontinued operations (Note 6)	5,762	5,909
	6,093,634	5,996,947
Province of Saskatchewan's Equity		
Equity advances	931,152	1,051,152
Contributed surplus	138	136
Retained earnings	3,375,266	3,177,214
Accumulated other comprehensive income	13,547	23,068
	4,320,103	4,251,570
	$ 10,413,737	$ 10,248,517

Contingencies (Note 7)
(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Operations and Retained Earnings

(unaudited)

For The Period

(thousands of dollars)

	2010 April 1 to June 30	2010 January 1 to June 30	2009 April 1 to June 30	2009 January 1 to June 30
REVENUE				
Sales of products and services	$ 955,888	$ 2,155,116	$ 1,012,552	$ 2,344,630
Investment	28,906	41,109	2,343	20,613
Other	26,132	55,668	25,062	26,930
	1,010,926	2,251,893	1,039,957	2,392,173
EXPENSES				
Operating costs other than those listed below	728,110	1,628,118	782,160	1,830,216
Interest	54,443	112,116	63,235	122,202
Depreciation and amortization	123,500	245,050	121,309	241,635
Saskatchewan taxes and fees	32,242	70,668	34,566	75,017
	938,295	2,055,952	1,001,270	2,269,070
Earnings before non-recurring items	72,631	195,941	38,687	123,103
Non-recurring items	-	-	(10,290)	(10,290)
EARNINGS FROM CONTINUING OPERATIONS	72,631	195,941	28,397	112,813
Gain from discontinued operations (Note 6)	955	2,111	2,268	4,245
NET EARNINGS	73,586	198,052	30,665	117,058
RETAINED EARNINGS, BEGINNING OF PERIOD	3,301,680	3,177,214	3,669,899	3,583,506
DIVIDEND TO GENERAL REVENUE FUND	-	-	-	-
RETAINED EARNINGS, END OF PERIOD	$ 3,375,266	$ 3,375,266	$ 3,700,564	$ 3,700,564

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Comprehensive Income

(unaudited)

For The Period

(thousands of dollars)

	2010 April 1 to June 30	2010 January 1 to June 30	2009 April 1 to June 30	2009 January 1 to June 30
NET EARNINGS	$ 73,586	$ 198,052	$ 30,665	$ 117,058
Foreign currency translation adjustment	542	(1,460)	(868)	1,548
Unrealized gain on cash flow hedges	99	385	821	278
Unrealized (loss) gain on available-for-sale financial assets	(7,840)	(2,535)	18,366	13,550
Reclassification for realized (gains) losses on sale of investments included in operations	(4,849)	(5,911)	384	4,700
Other comprehensive (loss) income	(12,048)	(9,521)	18,703	20,076
COMPREHENSIVE NET INCOME	$ 61,538	$ 188,531	$ 49,368	$ 137,134

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Accumulated Other Comprehensive Income

(unaudited)

For The Period

(thousands of dollars)

	2010 April 1 to June 30	2010 January 1 to June 30	2009 April 1 to June 30	2009 January 1 to June 30
Balance, beginning of period	$ 25,595	$ 23,068	$ (14,097)	$ (15,470)
Other comprehensive (loss) income	(12,048)	(9,521)	18,703	20,076
BALANCE, END OF PERIOD	$ 13,547	$ 13,547	$ 4,606	$ 4,606

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Cash Flows
(unaudited)
For The Period
(thousands of dollars)

	2010 April 1 to June 30	2010 January 1 to June 30	2009 April 1 to June 30	2009 January 1 to June 30
OPERATING ACTIVITIES				
Net earnings	$ 73,586	$ 198,052	$ 30,665	$ 117,058
Items not affecting cash from operations	58,968	218,599	109,057	286,496
	132,554	416,651	139,722	403,554
Net change in non-cash working capital balances related to operations	41,810	(22,799)	53,964	14,376
Cash provided by operating activities from continuing operations	174,364	393,852	193,686	417,930
Cash provided by operating activities from discontinued operations	145	2,271	3,746	196
Cash provided by operating activities	174,509	396,123	197,432	418,126
INVESTING ACTIVITIES				
Purchase of investments	(246,525)	(200,568)	(893,635)	(283,075)
Proceeds from sales and collections of investments	125,712	436,061	165,147	190,711
Purchase of property, plant, and equipment	(207,523)	(383,924)	(223,364)	(365,917)
Purchase of intangible assets	(10,142)	(15,739)	(18,002)	(25,015)
(Costs related to) proceeds from sale of property, plant, and equipment	(2,778)	(170)	1,067	1,464
Decrease in other assets	9,235	10,082	7,756	5,488
Cash used in investing activities	(332,021)	(154,258)	(961,031)	(476,344)
FINANCING ACTIVITIES				
Increase in notes payable	100,581	126,131	75,207	6,368
Decrease in other liabilities	(22,359)	(42,664)	(7,356)	(8,903)
Decrease in restricted cash and cash equivalents	22,359	46,348	16,176	18,556
Debt proceeds from General Revenue Fund	13,200	18,293	-	50,000
Debt repayments to General Revenue Fund	-	-	(10,564)	(10,564)
Debt proceeds from other lenders	138	138	66	663
Debt repayments to other lenders	(2,567)	(4,734)	(4,834)	(7,023)
Repayment of equity advances	(120,000)	(120,000)	-	-
Sinking fund instalments	(8,421)	(17,452)	(8,184)	(17,207)
Dividend paid to General Revenue Fund	-	-	-	(150,000)
Cash (used in) provided by financing activities	(17,069)	6,060	60,511	(118,110)
NET CHANGE IN CASH DURING PERIOD	(174,581)	247,925	(703,088)	(176,328)
CASH POSITION, BEGINNING OF PERIOD	762,162	339,656	1,373,302	846,542
CASH POSITION, END OF PERIOD	$ 587,581	$ 587,581	$ 670,214	$ 670,214
Cash position consists of:				
Cash from continuing operations	$ 591,176	$ 591,176	$ 696,729	$ 696,729
Bank indebtedness from continuing operations	(9,586)	(9,586)	(32,145)	(32,145)
	581,590	581,590	664,584	664,584
Cash from discontinued operations	5,991	5,991	5,630	5,630
	$ 587,581	$ 587,581	$ 670,214	$ 670,214

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements
(unaudited)
June 30, 2010

1. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan (CIC) was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993* (the Act).

The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan, and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

2. Summary of Significant Accounting Policies

The interim consolidated financial statements of CIC do not contain all of the disclosures included in CIC's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the December 31, 2009 audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual amounts could differ from these estimates.

The interim consolidated financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of corporate operations.

The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2009, audited consolidated financial statements.

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of CIC under the Act. In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc. (CIC AMI) [1]; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and CIC Apex Equity Holdco Ltd.

Separate unaudited interim financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate unaudited interim financial statements for each of the undernoted Crown corporations are prepared and released publicly.

[1] Investment Saskatchewan Inc. was de-designated as a subsidiary Crown corporation pursuant to Order-in-Council 653/2009 effective September 10, 2009 and is continued under the authority of *The Business Corporations Act (Saskatchewan)* as CIC Asset Management Inc. with CIC, as sole shareholder.

2. Summary of Significant Accounting Policies (continued)

a) Consolidation principles and basis of presentation (continued)

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these interim financial statements:

Information Services Corporation of Saskatchewan (ISC)	Saskatchewan Government Insurance (SGI)
SaskEnergy Incorporated (SaskEnergy)	Saskatchewan Opportunities Corporation (SOCO)
Saskatchewan Development Fund Corporation (SDFC)	Saskatchewan Power Corporation (SaskPower)
Saskatchewan Gaming Corporation (SGC)	Saskatchewan Telecommunications Holding Corporation (SaskTel)
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)[1]	Saskatchewan Telecommunications
	Saskatchewan Transportation Company (STC)
	Saskatchewan Water Corporation (SaskWater)

[1] SGGF MC was dissolved effective March 31, 2009.

Throughout these interim financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's shares of jointly controlled enterprises included in these interim financial statements are as follows:

Apex Investment Limited Partnership	54%
Centennial Foods Partnership	33%
Cory Cogeneration Funding Corporation	50%
Cory Cogeneration Joint Venture	50%
Foragen Technologies Limited Partnership	33%
Heritage Gas Limited[2]	50%
Kisbey Gas Gathering and Processing Facility	50%
Saskatchewan Entrepreneurial Fund Joint Venture	45%

[2] The Corporation sold its interest in Heritage Gas Limited effective October 1, 2009.

c) Change in accounting estimate

In the second quarter of 2010, the Corporation revised its estimated timing for the removal and disposal of equipment containing PCB's in excess of current environmental laws and regulations. The change in estimate was applied prospectively, effective June 30, 2010. This resulted in a $4.0 million increase in property, plant and equipment and other liabilities with no impact on depreciation expense for the first six months of 2010.

2. Summary of Significant Accounting Policies (continued)

d) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the consolidated statement of operations and retained earnings upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding marketing sales contracts are recorded as gains or losses in the period of change.

Natural gas delivery and commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of natural gas delivered, but not billed, is included in revenue.

Natural gas transportation and storage

Revenue is recognized when transportation, transportation related services, and storage are provided to customers and the ultimate collection is reasonably assured. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at period end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to customers.

Telecommunications

Telecommunication revenues are recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable, and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship.

Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

2. Summary of Significant Accounting Policies (continued)

d) Revenue recognition (continued)

Telecommunications (continued)

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line advertising and advertising in agricultural publications. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed in advance for directory advertising are deferred and recognized over the corresponding life of the directory.

Property registration

Land and personal property registry revenues are recognized when services are rendered.

Property and casualty insurance

Premiums written are taken into net earnings over the terms of the related policies which are no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Investment revenue

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest revenue is recorded when it is received and accrued interest receivable is offset by deferred interest revenue.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

2. Summary of Significant Accounting Policies (continued)

e) Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and intangible assets; the accounting for variable interest entities, discontinued operations, fair value of financial instruments, and environmental remediation liabilities; and the carrying amounts of employee future benefits including underlying actuarial assumptions.

The financial statements are based on management's best estimates using information available. Volatility in financial markets has complicated the estimation process due to the recent economic decline and significant fluctuations in foreign exchange rates and commodity prices. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

f) Future accounting policy changes

Canadian Institute of Chartered Accountants (CICA) Pronouncements

The CICA has issued several new Handbook sections: Section 1582 – Business Combinations; Section 1601 – Consolidated Financial Statements; and Section 1602 – Non-Controlling Interests, for fiscal years beginning on or after January 1, 2011. The Corporation is evaluating the potential impacts of these accounting recommendations and does not anticipate a significant impact on the Corporation's financial statements.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC is publicly accountable and has therefore selected IFRS as its accounting platform.

CIC and its subsidiaries, are finalizing an IFRS conversion project. Selection of accounting policies has been finalized and CIC is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are

2. Summary of Significant Accounting Policies (continued)

f) Future accounting policy changes (continued)

International Financial Reporting Standards (IFRS) (continued)

being finalized. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes. The aspects of IFRS that have the potential to most significantly impact CIC are accounting for property, plant and equipment, employee future benefits, revenue recognition, impairment testing, and financial statement disclosures.

The International Accounting Standards Board (IASB) plans to make revisions to or replace existing IFRS standards that may impact CIC. Some of the anticipated changes may be in effect prior to CIC's transition date; and therefore, IFRS may differ at transition date from its current form.

3. Restricted Cash and Cash Equivalents and Other Liabilities

The Corporation held the following cash and cash equivalents restricted for use (thousands of dollars):

	June 30, 2010		December 31, 2009	
	Current	Non-Current	Current	Non-Current
Carbon capture and storage demonstration projects (a)	$ 91,863	$ 75,614	$ 63,448	$ 146,693
Meadow Lake Pulp Limited Partnership (b)	20,620	20,000	21,250	20,000
Centennial Foods Partnership (c)	316	-	313	-
	$112,799	$ 95,614	$ 85,011	$ 166,693

a) Amounts reflect unspent funding transferred to the Corporation in 2008 from the General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects.

b) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to the order of the Court of Queen's Bench of Saskatchewan; and

c) Cash held in escrow related to the sale of Centennial Foods Partnership in 2007.

4. Financial Instruments and Risk Management

The Corporation is exposed to fluctuations in natural gas prices, electricity prices, foreign exchange rates, interest rates and the value of certain investments. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

At June 30, 2010, the Corporation held $3,795.5 million (December 31, 2009 - $3,782.4 million) in long-term debt and long-term debt due within one year with a fair value of $4,561.6 million (December 31, 2009 - $4,442.3 million).

The Corporation held the following derivative financial instruments which are classified as held-for-trading and carried at fair market value (thousands of dollars):

	June 30, 2010		December 31, 2009	
	Asset	**(Liability)**	Asset	(Liability)
Physical natural gas contracts	**$ 21,271**	**$ (8,668)**	$ 15,357	$ (8,391)
Natural gas price swaps	**56,247**	**(88,168)**	36,470	(58,167)
Physical electricity forwards	**5**	**(147)**	-	-
Electricity contracts for differences	**249**	**(529)**	-	-
Interest rate swaps	**-**	**(20)**	-	(43)
Foreign exchange forward contracts	**-**	**(52)**	-	(63)
	$ 77,772	**$ (97,584)**	$ 51,827	$ (66,664)

Depending on market conditions, unrealized losses or gains related to the change in fair value of derivative financial assets and derivative financial liabilities can negatively or positively impact net earnings. For the six months ended June 30, 2010, derivative fair value adjustments resulted in a net unrealized loss of $5.1 million (June 30, 2009 - $5.7 million).

4. Financial Instruments and Risk Management (continued)

a) Commodity price risk management

Natural gas price risk

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and futures contracts.

Based on the Corporations' June 30, 2010 closing positions, an increase of $1 per Gigajoule (GJ) in natural gas prices would have increased net earnings, through an increase in the fair value of natural gas contracts, by $8.6 million. Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas contracts, by $8.6 million.

b) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in equity prices. Market risk primarily impacts the value of investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at June 30, 2010 was $135.2 million (December 31, 2009 - $142.5 million).

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years) (thousands of dollars):

Asset Class

		June 30 2010		December 31 2009
Canadian pooled equity fund and Canadian common shares	**+/-**	**$31,814**	+/-	$32,877
U.S. pooled equity fund and U.S. common shares	**+/-**	**6,512**	+/-	7,542
Non-North American pooled equity fund	**+/-**	**9,172**	+/-	9,147

4. Financial Instruments and Risk Management (continued)

b) Market risk (continued)

The Corporation has on deposit with the GRF, under the administration of the Ministry of Finance, $407.8 million (December 31, 2009 - $374.2 million) in sinking funds required for certain long-term debt issues. The GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

5. Inventories

For the six months ended June 30, 2010, $264.3 million (June 30, 2009 - $399.4 million) of natural gas in storage held for resale, $130.1 million (June 30, 2009 - $121.9 million) of raw materials inventory, and $77.6 million (June 30, 2009 - $77.5 million) of other inventory were consumed. The Corporation incurred a $12.1 million (June 30, 2009 - $20.8) write-down of natural gas in storage held for resale and $0.4 million (June 30, 2009 - $Nil) of other inventory to its net realizable value. There was no reversal of any prior period write-down during the six months ended June 30, 2010 or June 30, 2009.

6. Discontinued operations

During the second quarter of 2010, the Corporation approved plans whereby the operations of Hospitality Network Canada, Inc. (Hospitality Network) and Saskatoon 2 Properties Limited Partnership (Saskatoon Square) will be divested and the criteria for classification as discontinued operations have been met. In addition, the Corporation had previously classified the operations of DirectWest Canada, Inc. and Heritage Gas Limited as discontinued operations.

6. Discontinued operations (continued)

Assets held for disposal relating to discontinued operations are comprised of the following:
(thousands of dollars)

	June 30 2010	December 31 2009
Cash	$ 5,991	$ 6,409
Accounts receivable	1,549	2,087
Prepaid expenses	335	326
	7,875	8,822
Property, plant and equipment	23,034	23,117
Intangibles	3,725	3,977
Other assets	11,838	11,838
	38,597	38,932
	$ 46,472	$ 47,754

Obligations held for disposal relating to discontinued operations are comprised of the following:
(thousands of dollars)

	June 30 2010	December 31 2009
Accounts payable and accrued liabilities	$ 1,595	$ 2,380
Long-term liabilities classified as current	303	294
	1,898	2,674
Long-term debt	5,762	5,909
	$ 7,660	$ 8,583

The impact of discontinued operations on consolidated earnings is comprised of the following:
(thousands of dollars)

	June 30 2010	June 30 2009
Revenue	$ 17,137	$ 28,348
Expenses	(15,026)	(24,103)
Gain from discontinued operations	$ 2,111	$ 4,245

7. Contingencies

a) On August 9, 2004, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only. The appeal from this decision by the Corporation, together with all other defendants, will be heard by the Court of Appeal in October, 2010. On July 24, 2009, a second proceeding under *The Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular providers, including the Corporation. The Corporation believes this second action involves substantially the same allegations as the 2004 claim and on December 23, 2009 the second action was conditionally stayed as an abuse of process by the Court of Queen's Bench. The Plaintiff's motion to discontinue the 2004 action was withdrawn leaving the 2004 action as an active lawsuit before the Court. The Plaintiffs have applied to obtain leave of the Court of Appeal to appeal the stay of the second action. The Corporation continues to believe that is has strong defences to the allegations and that legal errors were made by the Court in the certification proceeding of the 2004 claim and that it has strong defences to the allegations contained in the 2009 action.

b) On June 26th, 2008, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defences to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained to handle this matter.

c) The Corporation has a commitment to make contributions to the Power Corporation Superannuation Plan (the Plan) as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement required the Corporation to pay $81.3 million into the Plan in three equal instalments over three years. The first payment of $27.1 million was completed on December 15, 2009. The second payment was completed on June 28, 2010. The final payment is due July 1, 2011.

d) The Corporation has issued a $5.0 million promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

7. Contingencies (continued)

e) In April 2010, the Corporation was charged under Saskatchewan's Occupational Health and Safety Act and Regulations in relation to a natural gas explosion that occurred April 18, 2008 in Nipawin, Saskatchewan. The Corporation has also been named a defendant in a number of civil actions related to this incident. The claims remain at an early stage, and the Corporation has not yet entered a plea on the charges. Accordingly, the likelihood and amount of any potential loss cannot be reasonably estimated.

f) Including the above, the Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

8. Defined Benefit Plans

Pension expense (earnings) for defined benefit plans is as follows (thousands of dollars):

	2010 January 1 to June 30	2009 January 1 to June 30
Current service cost	**$ 3,364**	$ 3,604
Interest costs	**53,317**	55,115
Expected return on plan assets	**(56,274)**	(56,472)
Amortization of net transitional asset	**(8)**	(2,036)
Amortization of past service costs	**1,608**	7,100
Amortization of actuarial loss	**21,095**	7,270
Other	**(10)**	17
Defined benefit plan expense	**$ 23,092**	$ 14,598

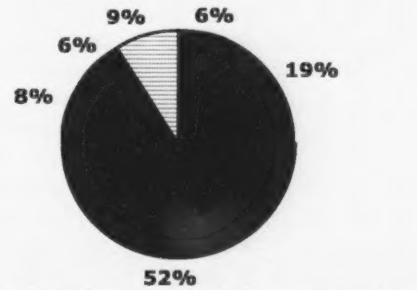
9. Comparative Figures

Certain of the 2009 comparative figures have been reclassified to conform to the current period's presentation.

Non-Consolidated Financial Statements

Management's Discussion and Analysis

Dividend Revenue



CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability.
This narrative on CIC's non-consolidated June 30, 2010 second quarter results should be read in conjunction with the June 30, 2010 unaudited non-consolidated financial statements.

The unaudited interim non-consolidated financial statements do not contain all the disclosures included in CIC's annual audited non-consolidated financial statements. Accordingly, these unaudited interim non-consolidated financial statements should be read in conjunction with CIC's December 31, 2009 audited non-consolidated financial statements.

For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

CIC Non-Consolidated Second Quarter Earnings (millions of dollars) (unaudited)		For the Six months ended June 30, 2010	For the six months ended June 30, 2009
Dividend revenue from Crown corporations		**$ 142.3**	$ 89.8
Add:	Interest and other revenue	**1.9**	9.1
	Grant funding from GRF	**42.7**	9.0
Less:	General, administrative and other expenses	**(5.7)**	(9.8)
	Grants to subsidiary corporations	**(59.1)**	(68.7)
Total non-consolidated earnings		**$ 122.1**	$ 29.4

Earnings

Earnings for the first six months of 2010 were $122.1 million (2009 - $29.4 million). The first six months earnings increased $92.7 million from the same period in 2009. The increase is primarily due to increases in dividend revenue of $52.5 million, grant funding from the GRF of $33.7 million, a decrease in general, administrative and other expenses of $4.1 million and a decrease in grants to subsidiary corporations of $9.6 million. These improvements were offset by lower interest and other revenue of $7.2 million.

Dividend Revenue

Dividend revenue for the six months ended June 30, 2010 was $142.3 million (2009 - $89.8 million). The $52.5 million increase was due to increased dividends from SOCO ($9.0 million) which declared a special dividend to CIC on March 31, 2010, SaskTel ($28.4 million), ISC ($3.5 million), SaskEnergy ($6.6 million), SGI ($4.2 million) and SGC ($2.5 million), partially offset by decreased dividends from SGGF MC ($1.7 million), which paid a dividend on March 31, 2009 as part of the wind-up of its operations.

Management's Discussion and Analysis (continued)

Dividend Revenue (continued)

For the first six months of each year, dividends from subsidiary Crown corporations are based on 50.0 per cent of their forecasted dividend for the year. The budgeted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. For the remainder of the year, dividend payments will be adjusted based on forecasted earnings at year end. For the current year, the government has requested that SaskTel, SaskEnergy, SGI, ISC and SGC to pay 100.0 per cent of net income to CIC as a dividend. Also, SOCO has been requested to pay a one-time special dividend to CIC of $9.0 million. CIC Asset Management Inc.'s (formerly Investment Saskatchewan Inc.) dividend is determined on a cash availability formula, which is determined at year end. In 2010, dividends from SaskPower have been eliminated in order to support SaskPower's significant capital program over the next several years.

General, Administrative and Other Expenses

General, administrative and other expenses were $5.7 million for the six months ended June 30, 2010 (2009 - $9.8 million). The decrease of $4.1 million was due mainly to two significant projects that were completed in 2009.

Grants to Subsidiary Corporations

During the first six months of 2010, CIC provided $59.1 million (2009 - $68.7 million) in grants to subsidiary corporations. STC received $4.4 million (2009 - $4.2 million) in grants to support ongoing operations. SaskEnergy received $10.4 million (2009 - $7.7 million) to fund the EnerGuide for Houses Matching Grant Program. SaskPower received $42.7 million (2009 - $9.0 million) for carbon capture and demonstration projects. CIC provided this grant out of restricted funding from the GRF. SaskTel received $1.6 million (2009 - $46.4 million) to fund FleetNet, a provincial emergency communications network. In 2009, SaskTel received $45.0 million in infrastructure grants from CIC. Gradworks Inc., a non-profit subsidiary of CIC, received $Nil million (2009 - $1.4 million) to fund its internship program.

CIC's 2010 budget includes public policy and grant funding expenditures as follows: $9.9 million in operating and capital grants to STC; $18.2 million of funding to SaskEnergy for the EnerGuide for Houses Matching Grant Program; $3.3 million funding to SaskTel to maintain FleetNet; and $0.5 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the six months ended June 30 2010	June 30 2009
Cash from operations	$ 145.4	$ 54.2
Cash provided by (used in) investing activities	197.6	(88.6)
Cash used in financing activities	(133.1)	(151.8)
Change in cash	$ 209.9	$ (186.2)

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources (continued)

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations for the six months ended June 30, 2010 was $145.4 million (2009 - $54.2 million). The $91.2 million increase was due mainly to higher dividends collected in the first six months of 2010 compared to the same period in 2009, combined with an increase in interest and accounts payable due mainly to amounts owed to SaskPower under the carbon capture and storage demonstration project grant.

Cash provided by investing activities for the six months ended June 30, 2010 was $197.6 million (2009 - used in $88.6 million). Difference from period to period is due to reclassifications of cash between cash and cash equivalents and short-term investments. These items are classified differently between accounting periods depending on whether maturities of these investments are due within 90 days from quarter end.

Cash used in financing activities was $133.1 million (2009 - $151.8 million). Financing activities in the first six months of 2009 consisted mainly of dividends paid to the GRF of $150.0 million. CIC made no dividend payments to the GRF in the first six months of 2010. However, a $120.0 million repayment of equity advances was made by CIC. The net change in restricted cash and cash equivalents and deferred funding was an outflow of $13.1 million in cash.

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2010.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. Subsequent to June 30, 2010 Saskatchewan experienced significant storm related activities and as such dividends from SGI are expected to be significantly lower than expected. Also, SGC had two unions initiate strike action. Although both unions have ratified a new contract, due to the job action revenues and net earnings are expected to be below initial estimations.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Crown Investments Corporation of Saskatchewan

Non-Consolidated Statement of Financial Position

(unaudited)

(thousands of dollars)

	June 30 2010	December 31 2009
ASSETS		
Current		
Cash and cash equivalents	$ 305,949	$ 96,009
Short-term investments	254,317	451,829
Interest and accounts receivable	1,497	3,111
Dividends receivable	77,569	85,697
Restricted cash and cash equivalents (Note 3)	108,673	67,132
	748,005	703,778
Restricted cash and cash equivalents (Note 3)	75,614	146,693
Equity advances to Crown corporations	1,082,236	1,082,736
Investments in share capital corporations	46,085	45,721
Equipment	506	543
Intangible assets	256	276
	$ 1,952,702	$ 1,979,747
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	$ 19,901	$ 6,341
Dividend payable to General Revenue Fund	-	-
Deferred funding (Note 3)	167,477	210,141
	187,378	216,482
Province of Saskatchewan's Equity		
Equity advances	931,152	1,051,152
Retained earnings	834,172	712,113
	1,765,324	1,763,265
	$ 1,952,702	$ 1,979,747

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and Comprehensive Income
(unaudited)
For The Period
(thousands of dollars)

	2010 April 1 to June 30	**2010 January 1 to June 30**	2009 April 1 to June 30	2009 January 1 to June 30
REVENUE				
Dividend (Note 4)	**$ 70,819**	**$ 142,291**	$ 36,151	$ 89,821
Interest and other	**927**	**1,896**	3,217	9,093
Grant funding from GRF	**22,359**	**42,664**	7,406	8,953
	94,105	**186,851**	46,774	107,867
EXPENSES				
General, administrative and other	**2,619**	**5,566**	4,112	9,687
Depreciation and amortization	**42**	**81**	36	68
	2,661	**5,647**	4,148	9,755
Earnings before the following	**91,444**	**181,204**	42,626	98,112
Grants to subsidiary corporations (Note 5)	**(28,800)**	**(59,145)**	(60,752)	(68,670)
NET EARNINGS (LOSS)	**62,644**	**122,059**	(18,126)	29,442
OTHER COMPREHENSIVE INCOME	**-**	**-**	-	-
COMPREHENSIVE INCOME (LOSS)	**$ 62,644**	**$ 122,059**	$ (18,126)	$ 29,442

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Non-Consolidated Statement of Retained Earnings

(unaudited)

For The Period

(thousands of dollars)

		2010 April 1 to June 30		2010 January 1 to June 30		2009 April 1 to June 30		2009 January 1 to June 30
RETAINED EARNINGS, BEGINNING OF PERIOD	$	771,528	$	712,113	$	1,337,992	$	1,290,424
NET EARNINGS (LOSS)		62,644		122,059		(18,126)		29,442
DIVIDEND TO GENERAL REVENUE FUND		-		-		-		-
RETAINED EARNINGS, END OF PERIOD	$	834,172	$	834,172	$	1,319,866	$	1,319,866

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Cash Flows
(unaudited)
For the Period
(thousands of dollars)

	2010 April 1 to June 30	2010 January 1 to June 30	2009 April 1 to June 30	2009 January 1 to June 30
OPERATING ACTIVITIES				
Net earnings (loss)	$ 62,644	$ 122,059	$ (18,126)	$ 29,442
Add non-cash items:				
Depreciation and amortization	42	81	36	68
	62,686	122,140	(18,090)	29,510
Net change in non-cash working capital balances related to operations	5,761	23,302	20,977	24,718
Cash provided by operating activities	68,447	145,442	2,887	54,228
INVESTING ACTIVITIES				
(Increase) decrease in short-term investments	(136,276)	197,512	(714,091)	(85,159)
Purchase of investments	(3,374)	(3,374)	(1,388)	(7,389)
Proceeds from the sale of investments	-	-	3,727	3,727
Repayment of due from CIC Economic Holdco	-	206	-	-
Repayment of due from CIC Apex Equity Holdco	1,487	1,804	-	-
Repayment of due from First Nations Métis Fund	-	1,000	-	-
Repayment of equity advances from SGGF MC	-	-	-	1
Repayment of equity advances from SDFC	500	500	450	450
Purchase of equipment and intangibles	-	(24)	(64)	(221)
Cash (used in) provided by investing activities	(137,663)	197,624	(711,366)	(88,591)
FINANCING ACTIVITIES				
Repayment of equity advances	(120,000)	(120,000)	-	-
Decrease in restricted cash and cash equivalents	17,292	29,538	5,528	7,148
Decrease in deferred funding	(22,359)	(42,664)	(7,407)	(8,954)
Dividend paid	-	-	-	(150,000)
Cash used in financing activities	(125,067)	(133,126)	(1,879)	(151,806)
NET CHANGE IN CASH DURING PERIOD	(194,283)	209,940	(710,358)	(186,169)
CASH POSITION, BEGINNING OF PERIOD	500,232	96,009	1,147,512	623,323
CASH POSITION, END OF PERIOD	$ 305,949	$ 305,949	$ 437,154	$ 437,154

(See accompanying notes)

1. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as Crown Investments Corporation of Saskatchewan(CIC). CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan (ISC)
SaskEnergy Incorporated (SaskEnergy)
Saskatchewan Development Fund Corporation (SDFC)
Saskatchewan Gaming Corporation (SGC)
Saskatchewan Government Growth Fund Management Corporation (SGGF MC) [1]
Saskatchewan Government Insurance (SGI)
Saskatchewan Opportunities Corporation (SOCO)
Saskatchewan Power Corporation (SaskPower)
Saskatchewan Telecommunications Holding Corporation (SaskTel)
Saskatchewan Telecommunications
Saskatchewan Transportation Company (STC)
Saskatchewan Water Corporation (SaskWater)

[1] SGGF MC was dissolved effective March 31, 2009.

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation, and the sole shareholder of CIC Asset Management Inc. (formerly Investment Saskatchewan Inc.)[2], First Nations and Métis Fund Inc., CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd., which are wholly-owned share capital subsidiaries.

[2] Investment Saskatchewan Inc. was de-designated as a subsidiary Crown corporation pursuant to Order-in-Council 653/2009 effective September 10, 2009 and is continued under the authority *of The Business Corporations Act (Saskatchewan)* as CIC Asset Management Inc. with CIC as sole shareholder.

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements
(unaudited)
June 30, 2010

2. Summary of Significant Accounting Policies

The interim non-consolidated financial statements of CIC do not contain all of the disclosures included in CIC's annual non-consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the December 31, 2009, audited non-consolidated financial statements.

The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2009, audited non-consolidated financial statements.

Future accounting policy changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC, as a stand-alone entity is an OGO, however, because the majority of its subsidiaries are GBE's, CIC has selected IFRS as its accounting platform.

CIC and its subsidiaries, are finalizing an IFRS conversion project. Selection of accounting policies has been finalized and CIC is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized. As part of the IFRS implementation, CIC has made changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes.

In these non-consolidated financial statements, CIC has determined its investment in its subsidiary CIC Asset Management Inc. requires a reversal of the valuation allowance recorded against its original book value. CIC's investment in CIC Asset Management Inc. was written-down by $152.7 million under Canadian GAAP to reflect the loss in value of certain assets that were subsequently sold for more than original book value. CIC has determined that the fair value of the remaining investments in CIC Asset Management Inc. exceeds CIC's original investment in CIC Asset Management Inc. and as a result CIC will increase investments in share capital corporations and retained earnings by $152.7 million upon conversion.

3. Restricted Cash and Cash Equivalents and Deferred Funding

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects undertaken by SaskPower. As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount. From January 1, 2010 to June 30, 2010, $42.7 million has been funded to SaskPower under this program as follows:

For the six months ended (thousands of dollars)	June 30 2010	December 31 2009
Deferred grant funding, beginning balance	$ 210,141	$ 237,895
Grant funding earned and grant to SaskPower	(42,664)	(27,754)
	$ 167,477	$ 210,141
Comprised of:		
Current restricted cash and cash equivalents	108,673	67,132
Long-term restricted cash and cash equivalents	75,614	146,693
Payable to SaskPower (a)	(16,810)	(3,684)
Deferred funding, ending balance	$ 167,477	$ 210,141

(a) Amounts payable to SaskPower are included in interest and accounts payable.

4. Dividend Revenue

Dividend revenue consists of the following:

For the six months ended (thousands of dollars)	June 30 2010	June 30 2009
Saskatchewan Telecommunications Holding Corporation	$ 74,800	$ 46,413
SaskEnergy Incorporated	26,616	20,000
Saskatchewan Government Insurance	10,850	6,602
Saskatchewan Gaming Corporation	12,618	10,160
Information Services Corporation	8,407	4,903
Saskatchewan Opportunities Corporation	9,000	-
Saskatchewan Government Growth Fund Management Corporation	-	1,743
	$ 142,291	$ 89,821

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements
(unaudited)
June 30, 2010

5. Grants to Subsidiary Corporations

Grants to subsidiary corporations consists of the following:

For the six months ended (thousands of dollars)	June 30 2010	June 30 2009
Saskatchewan Telecommunications Holding Corporation	$ 1,626	$ 46,377
Saskatchewan Power Corporation	42,664	8,954
Saskatchewan Energy Incorporated	10,406	7,659
Saskatchewan Transportation Company	4,400	4,250
Gradworks Inc.	-	1,430
Saskatchewan Water Corporation	49	-
	$ 59,145	$ 68,670

6. Comparative Figures

Certain of 2009 comparative figures have been reclassified to conform to current year's presentation.